

CHAPTER SEVEN (7)

GSP

GENERAL STUDIES PROGRAMME NIGERIAN GOVERNMENT & ECONOMIC



DEVELOPMENT (ECONOMIC) PLANNING

Objectives of Development Plans
Problem of Economic Planning in Nigeria
Development Planning Strategies
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7.1 INTRODUCTION

Nigeria's planned development started with the formulation of a **ten-year colonial plan of development and welfare** designed to cover the **1945-1955** period. This was in compliance with the British colonial office directives. It followed the initiative of the Secretary of State of Colonies in **1944**, which stated that all colonies should prepare development plans to assist disbursement of colonial development and welfare funds. This plan was prepared under the direction of a small and central development Board, consisting exclusively of senior colonial government officials. Area Development Committees, also consisting mainly of government officials, were set up in then three provinces and their divisions, to advise the central development board. Total estimated expenditure of the plan was **49.5 million pounds**. The Nigeria government was to realize **26.5 million pounds revenue** and through external loans, while the British government was to contribute **23.0 million pounds**.

Due to the introduction of a **Federal System of Government in October, 1954**, the ten years Development Plan was terminated. Another Plan was formulated and launched in **April, 1955** to cover the **1955 - 1960 periods**, but was later

revised in **1958** and extended to **1962**. Since the country became politically independent in **1960**, it had prepared and implemented four **National Development Plans of five years** duration each. An effort was made during **1984 - 87** to prepare the **fifth National Development Plan**. This was hampered by the political changes. The highly volatile nature of the economy during the period led to the adoption of austerity measures followed by the declaration of a state of emergency in 1985. The immediate cause of the crisis was the severe fall in oil prices, which had grave consequences on foreign exchange earnings. Poor public revenues aggravated the heavy debt burden the nation had to face (FNRP, 1990 - 92).

The Federal Government viewed the remote causes of the crisis as due to inefficient economic management as exemplified in the use of inappropriate policies and programmes complemented by the low level of efficiency in the use of public resources. As a result of the economic crisis and the degree of uncertainties facing the economy, the administration decided that rather than continue with the previous practice of preparing **five-year Development Plans**, government should undertake the preparation of **15 - 20 years** perspective plans, including the preparation of a **three year Rolling Plan**. However, during the period **1986 - 1988** when there was no specific National Plan, government adopted a **Structural Adjustment Programme (SAP)**, which provides the basis for the **15 - 20 year perspective Rolling Plans**. The principles of the SAP have actually affected all economic plans since then.

7.3 OBJECTIVES OF DEVELOPMENT PLANS

The objectives of a Development Plan may arise from some or all of the following:

- The planning has been suggested in most cases by the need to curve economy punctuations and minimize their adverse effect;
- That planning assures an amount of productive investment, which is sufficient to provide a rise in national income substantial, in excess of national income increases;
- That in a market oriented economy, planning's main aim is to correct certain externalities, redistribute income, produce public expenditure, encourage investments, supplies, legal and social framework for market competition and stabilizes wages; and
- That planning permits national determination of priorities.

Thus, meaningful development effort (or planning), must start with well-articulated goals and equally comfortable means of realizing these goals. Otherwise stated, goals (objectives) should always be seen as the focal point of any planning effort. Goals, therefore, give direction and purpose to all subsequent efforts.

7.4 PROBLEM OF ECONOMIC PLANNING IN NIGERIA

Poor plan implementation has been identified as the major problem of development planning in Nigeria. An important feature of the Nigeria planning experience has been a wide gap

between plans and actualities. There has been a divergence between planning and achievements. Two subsidiary factors bring about this wide gap. One is the dwindling and often unrealizable capital to finance important aspects of the plan. The second is the lack of appropriate political will to implement what is planned. The shortage of capital and its unreliability are caused by unstable commodity prices and unfavorable foreign exchange rates. For example, the decision to adopt the three-year Rolling plan was informed by the prevailing instability of the exchange rate that made it difficult to forecast resource over a long period. Further, there was the need to harmonize the plans and the budget as instrument of economic management and create a more flexible framework than the fixed term plans, for tackling the major problems that confronted the economy. Moreover, there was the compelling reason to take stock of all on-going projects, reassess their viability and requirements and complete as many of them as possible within the limits of available resources.

Also, the developmental experiences of Nigeria in terms of capital since the mid-seventies demonstrate the fragility of an economy that relies on one sector or commodity as the engine of growth. For Nigeria, the reliance has been at one time on Agriculture, and then an oil. The instability of the world market for these two primary commodities has often led to the non-implementation of projects. Such instability of the market and the impact on resources made both short and medium term forecasts rather difficult.

Secondly, the lack of appropriate political will on the part of some public servants to implement development plans as designed has resulted in the failure of many viable plans. What is worse is that this lack of commitment is often fuelled by corrupt tendencies and selfishness.

7.5 DEVELOPMENT PLANNING STRATEGIES

7.5.1 Types of Planning

Planning is of different types. In this study we are able to identify six. These are identified below:

(i) ***Indicative Planning***: The growth rate of the economy is projected as a whole and for each of the major sectors.

(ii) ***Central Planning***: it is state controlled entirely without private sector participation.

(iii) ***Perspective Planning***: provides general direction for the economy over a long period as **15 - 25 years**.

(iv) ***Project Planning***: involves the Planning of specific projects.

(v) ***Macro Planning***: Here the various single aggregates (e.g. consumption investment, etc.) are brought together into a macro-economic framework.

(vi) ***Multi Sectoral Planning***: stress the interdependence among various sectors in the economy.

7.5.2 Classification of Development Plans:

Going by the above, we can classify development plans as stated under:

(i) *Short-range (Short-term)*: they are usually annual or biannual. Such plans are usually drawn-up in conjunction with the annual budget and both constitute in obligation on the government.

(ii) *Medium-range Plans (medium-term)*: medium range plans can last between three to seven years but are usually for five years.

(iii) *Perspective (Long-term) Plan*: these are documents that express a coherent series of objectives and methods for an economy in respect of a distant future stated in the form of general guidelines and approved by the competent authority. It seeks to chart.

The course of economic development process over a long period of time. An example is the Vision 20-10 formulated during the regime of Abacha.

7.6 PAST DEVELOPMENT EFFORTS IN NIGERIA

This country has been using planning, as part of its major development strategy since the 1960s. Reviewing these plans is necessary so as to facilitate a thorough understanding of the direction that has been and is being taken by the Nigerian economy.

7.6.1 The First National Development Plan (1962-1968)

Launched in June 1962, it made provisions for the development of agricultural, trade, industry, power, water, communication, electricity, health and social welfare. The plan aimed at achieving the growth rate 4% per annum, with a planned capital outlay of more than the then N1.3 billion. The aims of the plan were: to promote industrial growth; to create jobs; to encourage indigenous business participation; and to cut over-dependence on imports.

The highlights of its achievement include; the fact that the federal and Regional Governments became major shareholders in most nationalized business; the creation of the federal Loans Board and Industrial Development Bank; and the completion of some capital projects. These are: the Port Harcour oil refinery, Nigeria Minting, Jebba Paper Mill, Bacit Sugar Company, Niger Bridge, the Nkalagu cement factory and Lagos Port Extension.

However, the expected foreign inflow was not realized, and the **civil war (1967-70)** caused great damage to economic and social overhead capital, especially in the Eastern State. It reduced the country's productive capacity in almost all the other sectors. Other problems militating against the plan are; high level of illiteracy; inadequate skilled manpower; low development of infrastructure and poor local private credit base.

7.6.2 The Second National Development Plan (1970 - 1974)

The plan was estimated at N3.35 million and its objectives were to establish:

- i.** Nigeria firmly as a united, strong and self-reliant nation;
- ii.** a great and dynamic economy;
- iii.** a land of rights and full of opportunities for all citizens;
- iv.** a just and egalitarian society, and
- v.** a free and democratic society.

Important Priorities of the plan include:

- i.** Reconstruction and rehabilitation after civil war
- ii.** Creating jobs and more employment opportunities
- iii.** Producing intermediate indigenous manpower, and
- iv.** Promotion of balanced development among regions, and between urban and rural areas.

7.6.3 The Third National Development Plan (1975-1980)

The objectives of this plan are:

- i.** to increase in per capita income;
- ii.** to achieve even distribution of income;
- iii.** to reduce unemployment;
- iv.** to increase the supply of high level manpower;
- v.** to achieve a balanced development; and
- vi.** to indigenize of economic activities.

The capital outlay of the Plan was the then N30 billion, but was later revised to N43 billion, more than 20 times the first National Development Plan and 10 times the Second National Development Plan. The general strategy here is to use the

sources from oil to develop the productive capacity of the economy.

To promote the indigenization objective during the plan period, foreigners were prevented from investing certain enterprises, such as agriculture. The minimum level of indigenization for some sectors was recommended as follows: agriculture (100%), commerce (60%); and industry (40%).

7.6.4 Fourth National Development Plan (1981 - 1985); N82.2 billion Objectives

The Fourth Plan adopted all the objectives of the former plans. Besides, it aimed at the following:

- i.** the development of technology to increase productivity; and
- ii.** the adoption of greater self-discipline, better attitude to work, and cleanliness vehicles of development.

iii.

In trying to achieve technology development, it was believed that the production of iron and steel is an appropriate base for the technological take off. Thus, the Ajaokuta iron and steel mill, conceived in the first plan. 1962 - 1968, received keen attention during this period. Similarly, the Aladja iron and steel factory and the steel rolling mills at Katsina, Jos, Kwa and Oshogbo were established. However, the Ajaokuta iron and steel Mill did not really take off until 1944. Also, low capacity utilization very much affected some Steel Rolling Mills. For example, the Katsina one operated at 3.4% only in 1991, while Kwa Steel Rolling Mills was not producing at all. The performance of other foundation-laying industries such as

refineries, petro-chemical, fertilizer, paint, pulp & paper and cement, was very much below expectation.

7.6.5 Fifth National Development Plan: 15 - 20 Years Development Plan

The Fifth National Development Plan was a Perspective, 15 - 20 years long-term plan, scheduled into short and medium term rolling plans. It had these overall objectives:

- i.** sufficiency in food production and other raw material;
- ii.** laying solid foundation for industrial growth;
- iii.** creating more jobs;
- iv.** enhancing the level of socio-economic awareness of the people; and strengthening a market oriented economy.

During the first decade of the plan the observations stated below were true of the various sectors of the economy:

a. *Agriculture:* the agricultural sector contribution to the GDP increased marginally by only 0.2% in 1993 as over the 2.0% increase in 1992. Thus, the sector failed to pick up as expected. A number of factors led to these negligible increases. These include the high interest on loans, and the continued depreciation of the Naira exchange rate, which was used to purchase required agricultural input such as fertilizer, working capital, farm machinery and implements.

b. *Manufacturing:* the growth rate of the manufacturing sector declined from 4.3% in 1992 to 3.54% in 1993. The same factors mentioned above contributed to the decline.

c. *Exchange Rates:* the depreciation of the Naira exchange rate at inter-bank (IFEM, Bureau de change and parallel foreign exchange markets) continued unabated. By the end of December, 1993, the Naira exchange rate depreciated to N45 to \$1 Dollar as against the N22 to \$1 Dollar at the beginning of the year.

d. *Inflation:* data from the Federal Office of Statistics showed that inflation increased by more than 700% in the third quarters of 1993.

The 1994 - 1996 National Development Rolling Plan was set to correct these problems among others. Other areas touched are:

- i.** increased gross capital formation
- ii.** external transaction;
- iii.** curtailment of fiscal deficit; and
- iv.** movement to Abuja

It was also designed to put an end to the anomalies observed in the indigenization programme. Thus, the 1995 Nigerian Investment Promotion Decree put an end to the 1980 Indigenization Decree. Foreigners were allowed to invest in any enterprise and up to 100% in industries. They could also take away the profits earned, and invest in any existing enterprise. Indeed, government also forgoes its right to buy up any enterprise owned by foreigners, EXCEPT in the interest of the nation.

It is important to note that none of the four National Development Plans, executed earlier, achieved its objectives.

They failed to lay the foundation for sustainable growth and development. Agriculture, which was given priority in all the plans, could not help the country to achieve self-sufficiency in food production and provide raw materials for industrialization. Unemployment remains high. The economy is still mono-cultural crude oil-economy! The perspective plan has almost expired and yet there are no signs of growth in the development indicators.

Rather, it is clear that even today, industries are suffering from low capacity utilization, the transport sector is ailing – the rail is just picking up while the airway is rolling grounded; NEPA is getting worse each day, the NNPC, Cement Companies, Steel-rolling mills, etc. hardly bring their products to the market.

These problems arise because Development Plans in Nigeria are faced with a number of problems not the least of which include:

- a.** shortage of skilled manpower;
- b.** lack of indigenous capital;
- c.** dependence on foreign capital;
- d.** poor prioritization;
- e.** poor data bank and statistical information; and
- f.** political instability and the ‘Nigerian factor’.

7.6.6 Vision 2010:

Vision 2010 is a sort of long-term plan as part of the Fifth Plan that is designed to address the problems identified above, the thereby correct the ills of the past. Thus, in the year 2010, it is hoped that Nigeria would have joined the industrialized world,

the standard of living would have risen high and literacy would be near 100%. The success of this vision will depend on the faithfulness with which there is implemented. It has to be implemented as a whole package to succeeded, not as parts.

7.6.7 Series of Medium Term Plans

Since 1990, National Development Plan based on a series of medium term plans was adopted. These kind of plans are normally considered against the background of instability in the macro-economic environment which the the Structural Adjustment Programme (SAP) had wanted to address. The most recent among these plans is the 1994-1996 National Development Plan. Even, before the 1993 fiscal year, which witnessed three governments in quick succession and characterized with political upheavals, data on macro-economic indicators revealed an overall decline in the growth rate of the economy. Almost all the policy objectives put in place to achieve the various macro-economic goals performed below expectation.

7.7 ECONOMIC ADJUSTMENT POLICIES AND MEASUREMENT

As mentioned earlier, by 1980 the economy had started declining and the need for adjustment had become glaringly clear. The problems of early 1980 that affected the Nigeria economy were due to:

- a)** over-dependence on a single balance commodity (crude oil);
- b)** excessive deficit in balance of payment;

- c) excessive government intervention in the economy;
- d) inappropriate government policies in economic management; and
- e) import-dependent consumption and production patterns which required radical transformation of the economy.

These problems spelt the beginning of stabilization and adjustment policies meant to address their effects on the economy. The most distinct among these policies are described presently.

7.7.1 Economic Stabilization (1982 - 1985)

Economic stabilization Temporary Provision Act 1982 stressed the need for exchange control, import restrictions, as well as monetary and fiscal policies, which included the reduction of Basic Travelling Allowance (BTA), compulsory advance deposits for imports, the creation of special account for deposit collected for imports under license, import prohibition, export licenses, import license and tariff changes. The objective of this package was economic revival through cuts in public expenditure, imports restriction and diversification of exports. Then President Shagari alerted the nation in his October 1983 broadcast that the “country has started the structural adjustment process required for economic buoyancy”.

7.7.2 Austerity Measure (1984 - 1985)

This policy was issued by then Military Government of Major General Mohammed Buhari (rtd). The basic ideal of Shagari’s stabilization remains the same, the difference being and

intensified implementation of SAP measures including reductions from public expenditure, retrenchment, imposition of taxes and levies and the abandonment of certain government projects and a shift to maintenance and rehabilitation of projects of special importance. Austerity measures were improving the general economy through efficiency in public administration, engendering financial discipline, drastic out and the elimination of accumulated external arrears.

7.7.2 Structural Adjustment Programme (SAP)

This policy came into being in July 1986. Its objectives were to alter and realign the aggregate domestic expenditure and production patterns in order to reduce to a minimum the nation's dependence, enhance the non-oil export base and re-direct the economy back on to the path of steady and balanced growth. Hence the main objectives of SAP were:

- a.** to restructure and diversify the productive base of the economy
- b.** to achieve fiscal and balance of payments viability over the period;
- c.** to lay the basis for a sustainable minimal inflationary growth; and
- d.** to reduce the government participation in the public sector; improve the sector's efficiency and intensify the growth potential of the private sector.

Finally, the gains of every adjustment programme are measured by the extent to which it brought about sustainable and sufficient increases in the GDP through increases in industrial,

manufacturing and agricultural activities, investments, exports over imports and the resultant balance of payments equilibrium. Fiscal and financial discipline is expected in the long run, to send the economy moving forward in the path of growth and development.

Based in the criteria above, one may say that Nigeria's economy did somehow witness some progress at particular time during the period of all the programs mentioned above. However, care must be taken in making a final conclusion due to some other factors that affect the economy indirectly.

Thus, the current economic condition in Nigeria is still deteriorating due to many reasons such as low capacity utilization in our industries, dwindling value of the Naira, low agricultural output, rising unemployment general social insecurity, tense socio-political atmosphere affecting all the sectors of our economic crisis affecting many countries of the world. Besides, there are external political distractions that continue to affect the economy of Nigeria.

Notwithstanding, up till today fall-outs from all the stabilization and restructuring programmes mentioned above are still lingering and good times await Nigeria, especially with the development in the export of Liquefied Natural Gas, the renewed coal exportation, the newly developed export promotion strategies and the diversification into areas of solid minerals development. Put together one can foresee Nigeria's bright economic future a under full-fledged democratic system in years to come.